Manmunai South & Eruvil Pattu Pradeshiya Sabha - 2024
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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Manmunai South & Eruvil Pattu Pradeshiya Sabha including the financial statements for the year ended 31 December 2024 comprising the Balance Sheet as at 31 December 2024, Income and Expenditure Account, Cash Flow Statement for the year and significant accounting policies and other explanatory information was carried out, for the year then ended, under my direction in pursuance of provisions in Article 154 (1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with the provisions in sub-section 10(1) of the National Audit Act No. 19 of 2018 and the Sub-Section 172 (1) of the Pradeshiya Sabha Act No. 15 of 1987. My comments and observations which I consider should be report to parliament appear in this report.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Manmunai South & Eruvil Pattu Pradeshiya Sabha as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in paragraph 1.6 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Practices, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Pradeshiya Sabha's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Pradeshiya Sabha is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements.

1.4 Audit Scope (Responsibility of the Auditor for the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercised professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of its internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Pradeshiya Sabha, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Pradeshiya Sabha has complied with applicable written law, or other general or special directions issued by the governing body of the Pradeshiya Sabha.
- Whether it has performed according to its powers, functions and duties; and
- Whether the resources of the Pradeshiya Sabha had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Report on Other Legal and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements.

(a) The financial statements of the Pradeshiya Sabha presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

(b) The financial statements presented includes all recommendations made by me in the previous year as per the requirement of Section 06 (1) d (iv) of the Audit Act No. 19 of 2018.

1.6 Audit observations regarding the preparation of financial statements

1.6.1 Accounting Deficiencies

	Audit Observations	Comments of the Council	Recommendations
(a)	The 2,276 books donated to the libraries of the Council in the last 03 years, value Rs. 1,041,246, have not been shown as assets in the financial statements.	Action will be taken to disclose as an asset in the financial statements in the coming year.	Action should be taken to show donated books as assets in the accounts.
(b)	At the end of the year under review, the value Rs. 1,333,085 of electrical equipment was not shown as an asset in the financial statements.	- Do -	Action should be taken to show as an asset in the financial statements.
(c)	Assets and accumulated funds were understated by Rs. 1,959,516 because of double entry error.	Action will be taken to correct the double entry error.	Action should be taken to correct the error.
(d)	Interest income had been understated by Rs. 226,150 in financial statements.	It will be adjusted in the coming year.	Action should be taken to show as receivables in the financial statements.
(e)	Receivable shops lease amount Rs. 113,650 had not shown as an asset in the financial statements.	- Do -	Lease receivables should be shown as assets in the financial statements.

1.6.2 Documentary Evidences not made available for Audit

Audit Observation	Comment of the Council	Recommendation
As at 31 December of the year under review, fixed asset registers, title deeds and schedules of 10 account balances amount of Rs. 26,086,209 had not been submitted to the audit.	Actions will be taken to complete the deficiencies.	Actions should be taken to collect the original documents of the assets and enter in the ledgers.

1.7 Non- Compliances

1.7.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Following observations are related to non-compliances with Laws, Rules, Regulations and Management decisions etc.

	Reference to Laws, Rules Regulations etc.	Non-compliances	Comments of the Council	Recommendations
(a)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(i)	Financial Regulation 371 (5)	A sum of Rs. 1,335,076 of advances given to solid waste center by the council during the period of last 19 years, had not been settled up to the end of the year under review.	There no any evidence in the Council for the unsettled advances.	Actions should be taken to identify and recover the advance payments.
(ii)	Financial Regulation 571 (1), (2) & (3)	No action has been taken to repay to relevant persons or change as income the 10 types of deposits of Rs. 9,764,705 which were lapsed over two years.	Appropriate actions are being taken to solve the deposits lapsed over two years.	Immediate action should be taken to identify and solve the type of the lapsed deposits.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2024 amounted to Rs. 36,475,010 as compared with excess of revenue over recurrent expenditure amounted to Rs. 42,837,657 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

According to the information submitted by the council, the details relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year are shown below.

	Source of Revenue	2024 Estimated Revenue (Rs.)	2024 Revenue billed (Rs.)	2024 Revenue Collected (Rs.)	2024 Arrears as at 31 December (Rs.)	2023 Estimated Revenue (Rs.)	2023 Revenue billed (Rs.)	2023 Revenue Collected (Rs.)	2023 Arrears as at 31 December (Rs.)
i.	Rates and Taxes	5,100,000	8,843,318	7,776,848	4,503,070	4,875,000	7,724,910	7,445,980	3,436,600
ii.	Rent	17,553,500	21,941,488	21,478,314	4,789,024	18,033,000	15,273,841	17,867,637	4,325,849
iii.	License Fees	1,985,000	2,927,571	2,927,571	-	1,900,000	2,774,040	2,774,040	--
iv.	Other revenue	3,350,000	7,074,372	7,074,372	1,656,338	4,425,000	3,582,737	3,614,087	1,656,338
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	Total	**27,988,500**	**40,786,749**	**39,257,105**	**10,948,432**	**29,233,000**	**29,355,528**	**31,701,744**	**9,418,788**
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2.2.2 Performance of Revenue Collection

Following are observations on the performance of all revenue collections of the council.

Audit Observations	Comments of the Council	Recommendations
(a) Rate and Taxes		
Action had not been taken to collect the arrears rate tax of Rs. 4,503,070 in 14 villages within the administrative area of the Council.	Action will be taken to recover the arrears amount.	Action should be taken to collect the rate tax arrears.
(b) Rent		
Action had not been taken to recover the rent and lease arrears total amount of Rs. 4,789,025, from 20 shop owners and 63 lessees by the council	Cases have been filed against all except person death and gone to the abroad.	Immediate action should be taken to recover the rent arrears.
(c) Other income		
Action had not been taken to recover the electricity bill amount of Rs. 1,656,338, which has been shown as outstanding under other income, over 10 years.	A letter has been sent to the Ceylon Electricity Board to collect the electricity bills.	Action should be taken to recover the long-term arrears.
(d) Court fines and stamp duties		
The court fine and stamp duty due from the Chief Secretary of the Provincial Council and other officials as on 31st December 2024 are Rs. 2,487,710 and Rs. 11,460,270 respectively.	Action will be taken to recover the outstanding amount.	- Do -

3. Operational Review

3.1 Management Inefficiencies

	Audit Observations	Comments of the Council	Recommendation
(a)	All 04 tyres were replaced for one of the Council's vehicles in 2023 at a cost of Rs. 206,300. Furthermore, tyres were replaced again in 2024 at a cost of Rs. 345,000 before end of the warranty period. The Council had incurred a financial loss due to this.	There was a large puncture in tyres and we took to the purchasing company to replace still under warranty. But they refused to replace it because the tyres were externally damaged.	Action should be taken to properly function the Technical Evaluation Committee.
(b)	Action had not been taken to settle the advance payment Rs. 167,580 to the Ceylon Electricity Board and for electricity supply debts of Rs. 2,069,410, which has been shown as an asset and liability in the financial statements respectively, over 10 years.	We wrote a letter to the Ceylon Electricity Board, but there was no any response.	Action should be taken to solve the long-term arrears.

3.2 Assets Management

	Audit Observations	Comments of the Council	Recommendations
(a)	The Council had not taken any action to acquire 05 lands used by the Council.	Actions are being taken to acquire.	Action should be taken to acquire the lands.
(b)	Action have not taken to transfer ownership of 10 vehicles, including tractors, trailer and bowsers, which were donated to the Council from other government institutions, to the Council's name.	A letter has been sent to the higher management regarding the transfer of ownership.	Action should be taken to change the ownership of assets.
(c)	Action had not been taken to repair the 06 vehicles, which are being unused over long years.	Unable to take any action without vehicles registration book and number.	The council should take immediate action to repair and use the vehicles.

3.3 Resources released to other organizations

Audit Observation	Comment of the Council	Recommendation
If Council fix solar power system with their own funds, they could earn all income. However, Council had missed the opportunity by made an agreement with a private company, to fix at building roof with the term of receiving a 6% to 18% of the income to the Council. It was observed in audit.	No any action to fix the solar power system so far.	The agreement must be made in the best interest of the public and in accordance with legal provisions of the act.

3.4 Human Resource Management

Audit Observation	Comment of the Council	Recommendation
Action had not been taken to fill the 05 staff vacancies approved by the Department of Management Services.	Vacancies has been reported to the office of the Deputy Chief Secretary of Eastern Province (Human Resource and Training).	Action should be taken to fill the staff vacancies.

4. Accountability and Good Governance

4.1 Environmental Issues

Audit Observation	Comment of the Council	Recommendation
Action had not been taken to renew the environmental protection license of 10 institutions functioning within the Council's area.	The process is being ongoing to renew the received application.	Action should be taken to renew the environmental protection licenses of the institutions.